

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CIAE-00 COME-00 INR-10

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E.O. 11652: N/A

TAGS: ETRD BL

SUBJ: COTTON CONTRACTS

REF: LA PAZ 6678

1. ADDITIONAL DETAILS TO THOSE SENT REFTEL ON NEWSPAPER
REPORTING COTTON PROBLEM FOLLOW.

2. ULTIMA HORA NOV. 6 ARTICLE REPORTS COTTON GROWERS FACING
GRAVE PROBLEMS IN SELLING 1973 CROP AND FINANCING 1974 CROP
PRODUCTION BECAUSE FOREIGN BROKERS INTERFERING WITH COMPLETION
SALES CONTRACTS AND THEIR INFLUENCE HAS REACHED BANKS WHICH
HAVE SUSPENDED OPERATIONS WITH BOLIVIAN COTTON GROWERS.
REPORTS THAT OF 80,000 TO 85,000 HECTARES TO BE PLANTED
FOR 1974 COTTON CROP, FINANCING HAS BEEN ARRANGED FOR ONLY
16,000 HECTARES AND IS IN PROCESS BEING ARRANGED ABROAD
FOR 42,000 MORE HECTARES, LEAVING FINANCING DEFICIT FOR
22,000 TO 30,000 HECTARES. ARTICLE NOTES ORIGINAL CONTRACTS
ALLOWED CERTAIN MARGIN FOR PRICE READJUSTMENT IN ACCORDANCE
WITH INTERNATIONAL MARKET BUT THAT COTTON GROWERS CANCELLED
CONTRACTS AND READJUSTED PRICES WHICH BROKERS REFUSED
ACCEPT. NOTES FURTHER THAT IMPORTANT CONTRACT WITH INDONESIA
STILL AWAITING COMPLETION, CAUSING
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"ENORMOUS" HARM TO GROWERS. ADDS THAT COTTON GROWERS

TALKING OF "INTERNATIONAL BOYCOTT" WHICH DOES NOT TAKE INTO ACCOUNT RISING PRODUCTION COSTS.

3. NUEVA JORNADA OF NOV. 6 REPORTS MINAG HAD NO INFORMATION ABOUT "EMBARGO" THREATENING BOLIVIAN COTTON WHICH ESTABLISHED BY "FIRM" WHICH ORIGINALLY CONTRACTED FOR COTTON. REPORTS MEASURE TAKEN, "ACCORDING TO RELIABLE INFORMATION," DUE TO BAD MANAGEMENT OF NEGOTIATION BY PRODUCERS WHO SOLD COTTON "AT PRICES BELOW THOSE EXISTING DURING HARVEST." WHEN PRICES ROSE THEY NEGOTIATED WITH ANOTHER COUNTRY WHICH CONSIDERED TRICKY PLAY BY ORIGINAL BUYER. ADDS, MINAG STATED ADEPA PRIVATE FIRM WHICH INFORMS APPROPRIATE MINISTRY ONLY WHEN IT DEALS WITH GOB; THEREFORE, MINAG DID NOT KNOW WHAT HAD HAPPENED TO ADEPA.

4. PRESENCIA NOV. 7 REPORTS RISK OF FAILURE SELL COTTON DUE REACTION "EUROPEAN AND JAPANESE" BUYERS WHO, AFTER CLOSING CONTRACTS FOR PURCHASE AT \$36 PER QUINTAL, FOUND BOLIVIANS UNILATERALLY RAISING PRICE TO "PRESENT" \$ 85 PER QUINTAL. ARTICLE DESCRIBES HOW BOLIVIANS SOLD EARLY THIS YEAR IN FORWARD MARKET, AS USUAL FOR COTTON AND OTHER COMMODITIES, BUT THAT AS PRICES RISE AND FALL PRODUCERS AND BUYERS FACE RISKS WHICH THEY GENERALLY ACCEPT. ACCORDING TO COTTON INDUSTRY SOURCES, BUYERS DEMANDING COMPLETE FULFILLMENT CONTRACTS, ESPECIALLY RE PRICE, ALLEGING THAT IF PRICE HAD FALLEN THEY WOULD HAVE PAID CONTRACT PRICE WHICH PRODUCERS HAVE EVERY RIGHT TO DEMAND. ARTICLE CONTINUES THAT PROBLEM NOT SIMPLE, BECAUSE GOB ISSUED DECREE 11016 WHICH SETS MINIMUM EXPORT PRICE OF \$56 PER QUINTAL KNOWING THAT FUTURE CONTRACTS EXISTED AND THEREBY PLACING PRODUCERS IN POSITION OF EITHER MAINTAINING CONTRACT PRICE OR FAILING FULFILL CONTRACTS. RESULT IS COTTON BLOCKADE WHICH IF PROLONGED COULD CAUSE SERIOUS HARM TO INDUSTRY RE CURRENT CROP AND 1974 CROP WHICH REQUIRES INTERNATIONAL FINANCING WHERE BUYERS HAVE POWERFUL INFLUENCE.

5. HOY OF NOV. 7, AS WELL AS HEADLINES MENTIONED REFTTEL, CARRIES THREE INTERIOR ARTICLES ON COTTON. FIRST, REPORTS COTTON BOYCOTT PREVENTED EFFORTS OVER RECENT MONTHS OF UNCLASSIFIED

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LUIS MAYSER, BANCO AGRICOLA MANAGER, TO OBTAIN \$ 30 MILLION LOAN TO FINANCE NEXT COTTON CROP. NOTES POSSIBILITY THAT "CONSORTIUMS" WHICH HAD FINANCED PAST CROP MIGHT HAVE INTERFERED WITH "NEW CREDIT." DESPITE THIS PROBLEM, BANCO AGRICOLA HAS EXHAUSTED ITS RESOURCES IN DISBURSING \$100 MILLION (SIC; PROBABLY \$10 MILLION) TO PRODUCERS WHILE FURTHER \$6 MILLION OBTAINED FROM CENTRAL BANK. SECOND ARTICLE STATES MIN/IND/COM OFFICIALLY DOES NOT HAVE DETAILS

ABOUT BOYCOTT COTTON SALES WORTH \$24 MILLION, BUT THAT MIN/IND/COM WILL HAVE OFFICIAL REMARKS FOLLOWING MEETING WITH ADEPA (COTTON GROWERS) BOARD THIS MORNING. BOYCOTT IMPOSED BY BROKERS WHO DO NOT ACCEPT \$85 PER QUINTAL PRICE. THIS INFORMATION, ARTICLE CONTINUES, HAS NOT BEEN SUBMITTED OFFICIALLY BY COTTON GROWERS TO GOB THROUGH MIN/IND/COM AND, THEREFORE, MINISTER PEREDA EXCUSED HIMSELF FROM MAKING OFFICIAL STATEMENT. CONCLUDES STATING, ADEPA REPS ARRIVED EVENING NOV. 6 AND WILL HOLD FIRST MEETING WITH GOB MORNING NOV. 7. THIRD ARTICLE, STATES ADEPA PLACED ITS COTTON IN INDONESIA THROUGH U.S. (FIRM) AT \$85 PER QUINTAL RATHER THAN AT \$ 35 PER QUINTAL PRICE EXISTING "LAST YEAR." BROKERS REFUSED PRICE ADJUSTMENT AND ENGAGED IN BOYCOTT CONSISTING IN SUSPENSION CREDIT FOR COMPLETION OPERATION WITH INDONESIA AND CREDIT FOR 1974 CROP PRODUCTION. AS RESULT BOLIVIAN COTTON PARALYZED, FREEZING \$24 MILLION. FINANCING AVAILABLE FOR 58,000 OUT OF 80,000 TO 88,000 HECTARES TO BE PLANTED IN COTTON. REST TO BE COVERED "UNDER FORMAL AGREEMENT," BY TWO U.S. BANKS OPERATING IN BOLIVIA. ARTICLE CONTINUES STATING THAT, ACCORDING TO ADEPA OFFICIALS, OTHER LARGE "CONSORTIUMS" ARE INTERFERING WITH BOLIVIAN COTTON. MENTIONED "A JAPANESE FIRM." ARTICLE ENDS WITH STATEMENT THAT TWO DIPLOMATIC MISSIONS IN BOLIVIA ARE "OPENLY" WORKING ON PROBLEM.

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